

CASE STUDY A

Terry Smith is 35 years old and his wife, Mindy, is 33. They recently celebrated wedding anniversary. They have three children, ages 3, 5, and 8. Terry is a CPA who never worked outside of the home, although she completed one year of college. Mindy has been attending a large church since they were married. Terry sings in the choir, and Mindy is active in children's Sunday school. On the surface it appears that this is a well-adjusted family. They have a comfortable house, new cars, and enjoy good food. One week Terry announced to Mindy that he wanted a divorce. He said he did not love her anymore and that he wanted to marry Cindy, a lady who also sings in the church choir. Terry had already met with an attorney to begin divorce proceedings. The church quickly followed the steps outlined in Matthew 18:15-17. But Terry and Cindy are not ready to get married. They want nothing to do with the church. They will be moving to another state next month. When the divorce becomes final, Mindy will have the following situation.

- She was awarded the \$110,000 house.
- She was awarded all personal belongings - furniture, toys, clothes.
- She will receive child support of \$200 per month per child until each child reaches age 18.
- She was given the Honda Accord, which has a loan against it.
- She will be responsible for half of the credit cards, personal loans, totaling \$40,000, which were used jointly.
- Terry is responsible for providing health insurance for the children. He is also responsible for paying the expenses the health insurance doesn't pay, plus all dental and prescription drug expenses for the children.
- Terry is to carry life insurance on himself in the amount of \$250,000 with the children as the beneficiaries until the youngest child reaches age 21.
- No alimony was awarded.
- Mindy was awarded the exemptions of the children for income tax purposes.
- Mindy is working 40 hours per week at a bookstore, where she earns minimum wage.
- Mindy's sister has offered to watch the children while Mindy works. The church has helped with utility bills.

Help Mindy develop a realistic budget for her new situation as a single mother.

The questions below will be in the Assignment for Case Study A. They are listed here so you can be thinking about them as you review the forms in this spreadsheet.

1. What scriptures and biblical principles could help Mindy understand how God wants her to manage her finances and decide about declaring bankruptcy?

2. Mindy's debt payments are significantly over the guideline. What practical steps should Mindy take to reduce her debt payments?
3. Mindy's housing expense is significantly over the guideline. How would you help Mindy decide whether to keep her house or sell it?
4. What actions should Mindy take to secure some type of health insurance?
5. What actions should Mindy take to help her adjust to her new lifestyle and her resulting emotional challenges?
6. What things could go wrong with Terry and/or her creditors, and what should Mindy be prepared to do?

This is a very sad situation that you may very well run in to. Statistics show:

- 41 percent of first marriages end in divorce.
- 60 percent of second marriages end in divorce.
- 73 percent of third marriages end in divorce.

This is alarming and sad news. Yet Christians are not exempt from these types of situations.

LIABILITIES / DEBT LIST ¹**CREDIT CARDS (only list cards for which you do not pay the full statement balance each month)**

CREDIT CARDS	What Was Purchased	Minimum Monthly Payments	Interest Rate	Past Due?
Sears		\$112.00	18.0%	
Visa		\$148.00	13.0%	
Master Card		\$68.00	12.8%	
Total Credit Cards		\$328.00		

AUTO LOANS

Automobile Loans		\$341.00	16.0%	
Total Auto Loans		\$341.00		

HOME MORTGAGES

Home Mortgages		\$660.00	8.0%	
Total Home Mortgages		\$660.00		

OTHER DEBT (education, medical, personal, business, legal, IRS, etc.)

Best Finance		\$232.00	17.0%	
Total Other Debt		\$232.00		

Balance Due
\$4,000.00
\$5,500.00
\$2,500.00
\$12,000.00
\$10,000.00
\$10,000.00
\$89,600.00
\$89,600.00
\$8,000.00
\$8,000.00

Spending Plan	Current
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INCOME vs. EXPENSE SUMMARY (calcu	
Net Spendable Income	\$1,730
Less Total Expenses	\$2,369
Surplus or Deficit	(\$639)

Monthly Income	
GROSS MONTHLY INCOME	\$1,835
Monthly Salary	\$1,235
Child Support	\$600
Dividends	
Commissions	
Bonuses/Tips	
Retirement Income	
Net Business Income	
Other Income	
LESS	
Category 1 - Tithe/Giving (monthly)	\$10
The Local Church	\$10
The Poor	
Other Ministries	
Other Giving	
Category 2 - Taxes (monthly)	\$95
Taxes (Fed, State, Medicare, Social Security)	\$95
Other	
<i>do not include medical/dental premiums, retirement plans, HSA/FSA contributions, charity contributions that are taken out of the paycheck. Instead, include these deductions as expenses below</i>	
NET SPENDABLE INCOME (monthly)	\$1,730

Monthly Expenses	
Category 3 - Housing (monthly)	\$1,000
Mortgage(s) (from Debt List)	\$660

Rent	
Insurance	\$30
Property Taxes	\$90
Electricity	\$150
Gas	
Water	\$25
Sanitation	
Telephone / Cell phone	\$45
Maintenance	
Internet / Cable Service	
Other	
Category 4 - Food (monthly)	\$300
Grocery	\$300
Other	
Category 5 - Transportation (monthly)	\$479
Auto Payment(s) (from Debt List)	\$341
Gas & Oil	\$100
Auto Insurance	\$28
Licenses & Taxes	\$10
Maintenance	
Replacement	
Other - Tolls/Parking/Transit Fares	
Category 6 - Insurance (monthly)	\$0
Life	
Health/Dental	
Disability	
Other	
Category 7 - Debts (monthly)	\$560
Total Credit Cards (from Debt List)	\$328
Total Other Debt (from Debt List)	\$232
Extra Debt Payments	
Category 8 - Entertainment & Recreation (monthly)	\$0
Eating Out / Lunches	
Baby Sitters	
Activities / Trips	
Vacation	
Pets	
Hobbies and Sports	
Other	

Category 9 - Clothing (monthly)	\$0
Children's Clothing Needs	
Husband/Wife Clothing Needs	
Other	
Category 10 - Savings (monthly)	\$0
Savings Account	
Credit Union	
Other	
Category 11 - Health & Wellness (monthly)	\$0
Doctor	
Dentist	
Prescriptions	
Eye Glasses / Contacts	
Other	
Category 12 - Miscellaneous (monthly)	\$30
Toiletries / Cosmetics	\$10
Beauty / Barber	\$10
Laundry / Cleaning	\$10
Allowances	
Subscriptions	
Gifts (including Christmas)	
Cash	
Other	
Category 13 - Investments (monthly)	\$0
Employer 401k/403b plans	
Retirement IRAs	
College Funds	
Non-Retirement Stocks, Bonds, Mutual Funds	
Investment Real Estate	
Other	
Category 14 - School/Child Care (monthly)	\$0
School Tuition	
School Books, Supplies, Materials, etc	
Transportation	
Day Care	
Tutoring, Lessons for Music, Dance, etc	
Other	
Total Expenses	\$2,369

Suggested Percentage Guidelines For Family Income

(Married with 2 Children)

GROSS HOUSEHOLD INCOME:		25,000	35,000	45,000	55,000	85,000	125,000
1. Tithe/Giving		10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
2. Total Taxes ¹		Use Current Monthly Withholdings					
Net Spendable Income:(Gross Income - Tithe/Giving - Total Taxes) percentages below add to 100%							
3. Housing		39.0%	36.0%	32.0%	30.0%	30.0%	29.0%
4. Food		15.0%	12.0%	13.0%	12.0%	11.0%	11.0%
5. Transportation		15.0%	12.0%	13.0%	14.0%	13.0%	13.0%
6. Insurance		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
7. Debts		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
8. Entertainment/Recreation		3.0%	5.0%	5.0%	7.0%	7.0%	8.0%
9. Clothing		4.0%	5.0%	5.0%	6.0%	7.0%	7.0%
10. Savings		5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
11. Health & Wellness		5.0%	6.0%	6.0%	5.0%	5.0%	5.0%
12. Miscellaneous		4.0%	4.0%	6.0%	6.0%	7.0%	7.0%
13. Investments		0.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Total Net Spendable Income:		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
14. School/Child Care ²		8.0%	6.0%	5.0%	5.0%	5.0%	5.0%

¹ Taxes include all current monthly Federal, Social Security, Medicare, State and Local income taxes.

² This category is added as a guide only. If you have this expense, the percentage shown must be deducted from other budget categories so overall Net Spendable Income equals 100%.



Percentage Spending Plan ¹

Annual Income: \$ 22,020

Gross Monthly Income:

Use appropriate
% from
"Percentage
Guide"

1. Tithe/Giving

10.0%

x

1,835

1. Total Taxes

Actual Current Monthly Withholdings

Net Spendable Income (NSI)

Spending Category	Percentage	Net Spendable Income		
3. Housing	38.0%	x	1,557	=
4. Food	15.0%	x	1,557	=
5. Transportation	14.0%	x	1,557	=
6. Insurance	5.0%	x	1,557	=
7. Debts	5.0%	x	1,557	=
8. Entertainment/Recreation	5.0%	x	1,557	=
9. Clothing	5.0%	x	1,557	=
10. Savings	4.0%	x	1,557	=
11. Health & Wellness	6.0%	x	1,557	=
12. Miscellaneous	3.0%	x	1,557	=
13. Investments	0.0%	x	1,557	=
14. School/Child Care ²	0.0%	x	1,557	=

Total: (cannot exceed 100%)

100.0%

TOTAL: (cannot exceed Net Spendable Income)

¹Use current actual monthly Federal, Social Security, Medicare, State, and Local tax withh

² This category is added as a guide only. If you have this expense, the percentage shown r
so overall Net Spendable Income equals 100%.

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\$	1,835
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184	
95	
1,557	
	\$ 18,678.00 Annual NSI
Amount	
591	
233	
218	
78	
78	
78	
78	
62	
93	
47	
-	
-	

1,557 OK

holdings

must be deducted from other budget categories